

## CHAPTER 1

# From Minority to Majority

## *MCDONALD'S DISCOVERS THE WOMAN INSIDE THE MOM*

**T***o help revive the company's sales and profits, McDonald's shifted its strategy toward women from one of "minority" consumers who served as a conduit to the important children's market to one in which women are the company's majority consumers and the main drivers behind menu and promotion innovations.*

For Bill Lamar, chief marketing officer, McDonald's USA, 2002 was about to go down as one of the worst years in his almost 20-year career with the fast-food giant. On December 17 of that year, McDonald's posted a quarterly loss of \$343.8 million, its first-ever decline since the company went public in 1965. Happy Meals, a cash cow for close to 25 years, were in a three-year sales slump. Same-store sales—which tracked the sales in restaurants open more than a year and served as a crucial gauge of how well McDonald's was performing with return customers week after week—had slid every month in 2002.<sup>1</sup> The ad campaign "We love to see you smile" wasn't a huge hit, and sales of new products like McSalad Shakers were so poor they were going to be pulled from the menu.

## 2 The Power of the Purse

Something was definitely amiss at the Golden Arches. But just what was wrong? On the surface, McDonald's was doing okay. More than 20 million people were still eating at the company's more than 13,000 restaurants in the U.S. every day, bringing in sales of more than \$18.6 billion through November 2002.<sup>2</sup> The hamburger and fries were still America's two favorite foods. Yet throughout McDonald's quiet, wooded headquarters in Oak Brook, Illinois, a suburb just outside Chicago, there was a sense that the company's tried-and-true strategies of expanding overseas, opening new stores, and focusing primarily on men and children in its marketing were failing to work their magic.

In Lamar's corner of the company, there was pressure to find a strategy that would put the company back in the good graces of its consumers—and turn around the embarrassing slide in sales for a company that had turned a profit for nearly 50 years. Marketing certainly wasn't solely responsible for the problems at McDonald's—nor did anyone think that it would be the company's savior. But marketing was one of the first places that new chief executive Jim Cantalupo turned to for help. Cantalupo had been called out of retirement to replace Jack Greenberg just 12 days before the fourth-quarter sales were announced.

Marketing couldn't single-handedly pull the company out of the nose-dive. But it might be able to help in the short term with a new advertising campaign or promotional strategy that would begin to turn around the company's sales and brand image. It had happened before. Over the years, the advertising the department had helped create, with the aid of some of the biggest and best ad agencies, had defined McDonald's to billions of consumers around the world. Many of its jingles had become pop culture icons. People could recite the Big Mac song with its riff of “twoallbeefpattiespecialsaucelettucecheesepicklesonionsonasesameseedbun” more readily than the Pledge of Allegiance in some cases. McDonald's promotions—especially the Happy Meal toys tied to popular movies and television programs—were legendary for driving customers into the restaurants to try new products and enjoy old favorites.

Lamar needed answers fast to what had put one of the world's best and biggest brands into a sharp downward spiral. He turned to a new senior vice president of marketing recently hired from Procter & Gamble (P&G), Kay Napier, for help. Napier had built her marketing muscles at

the company credited with creating today's modern brand marketing tactics. In her last job at P&G, she was vice president of North America pharmaceuticals and led the company's women's "health and vitality product" unit. To her, there was a simple answer to what was wrong with the company she had joined in October 2002. But the problem, she knew instinctively, wouldn't be solved with yet another advertising campaign.

"We simply had stopped being relevant to women," Napier says bluntly.<sup>3</sup>

### *Colliding with the Power of the Purse*

McDonald's had run headlong into the challenge that many companies will face in the coming decades if they haven't already collided with it: the power of the purse. While most companies have come to accept that women are the most powerful force in the world's increasingly consumer-driven economy, many—like McDonald's—still face the challenge of creating successful strategies to reach those women—112 million in the U.S. alone—who have changed dramatically during the past 50 years.<sup>4</sup>

In the U.S., women control far more money than they ever have in history—\$7 trillion in consumer and business spending combined, to be exact—a number that exceeds Japan's economy.<sup>5</sup> In an economy so dependent on consumer purchasing—personal consumption accounts for close to 70 percent of all spending in America—women have a vast impact on what keeps America growing and thriving. Women control the vast majority of what America buys, from cars to computers to healthcare to hamburgers. Women are responsible for or buy 94 percent of home furnishings. They influence 91 percent of home sales and buy 51 percent of consumer electronics. They buy 60 percent of cars and trucks. They make up 50 percent of business travelers.<sup>6</sup>

Women are no longer the "minority" market so many companies have considered them for decades. Women are *the* majority market. But that effect doesn't stop with women's immense purchasing power. In fact, women's propensity for shopping is just the beginning.

Women and society are being radically transformed by women's growing economic power and their escalating acquisition of money through work. Today, more than 60 percent of adult women work outside the

## 4 The Power of the Purse

home, up from about 30 percent in 1955 when Ray Kroc began selling his burgers, fries, and shakes to America's middle-class families.<sup>7</sup> Back then, 80 percent of Americans lived in a traditional nuclear family. By 2003, just 50 percent of Americans lived in such family structures—a shift driven in part by women's ability to pay their own way. According to the 2000 U.S. Census, single people now head 26 percent of American households, with 58 percent headed by women and 42 percent by men.<sup>8</sup> More than one quarter of women age 15 and over have never married; a third of men in that age group are single too.<sup>9</sup> If and when women do marry, they bring with them far more economic power than any generation before them—shifting the balance of power in families as well as in society.

Historically, women's work and the money it brought into the household were often considered vital to a family's economic stability. But women were not considered to be "in control" of those funds or the primary financial caretaker of families. In the 21st century, women are increasingly the primary breadwinners in families. In 30.7 percent of marriages where women work, women now out-earn their husbands, according to new data from the Bureau of Labor Statistics and the 2000 U.S. Census, as noted by *Newsweek* in its 2003 cover story, "She Works. He Doesn't."<sup>10</sup> Women are now the sole providers in more than 800,000 U.S. families. From 1995 through 2010, women are expected to accrue 85 percent of the \$12 trillion in personal wealth that will be amassed during those years, according to figures from global publisher Conde Nast.

In 2004, U.S. women earned 80 percent of what men earned, up from 62 percent in 1980, according to new statistics from the U.S. Department of Labor, showing a marked increase from a period of stagnation in the 1990s.<sup>11</sup> When women and men of equal education, abilities, and similar social status are compared—for example, single men and women with college degrees and no children—the pay disparity disappears.<sup>12</sup> Those women make as much as, if not more than, their male counterparts. Forty-one percent of the 3.3 million Americans with incomes exceeding \$500,000 are women. While women still lag behind men when it comes to getting to the corner office—only a handful of the Fortune 500 companies have female chief executives—women-owned businesses now employ more people in the U.S. than those Fortune 500 companies employ combined. That makes women a far more powerful force in business than has

been recognized traditionally, according to statistics compiled by the National Council for Research on Women.

Education is driving much of this increase in women's economic power as women's education levels outpace men's. According to the National Center for Education Statistics, 37.2 percent of women between the ages of 18 and 24 were in college in 2002 versus 30.7 percent of men. Since 1992, there has been an 11 percent increase in the number of women in college, but in that same 10-year period, the number of men in college has edged up only 3 percent. The NCES projects that by 2012 a million more women than men in that age group will be in college.<sup>13</sup> In 2002, women earned the majority of bachelor's degrees, 57.2 percent, according to the American Council on Education. The Pell Institute for the Study of Opportunity in Higher Education found that while the number of men receiving bachelor's degrees has increased 20 percent in the last 30 years, the number earned by women has increased 117 percent. In graduate programs, women now make up 49 percent of law school attendees and 50 percent of medical school rolls. "On their twenty-first birthday, only about one in four men are in college full-time, compared with one in three women," writes Peter Francese in *American Demographics*.<sup>14</sup> There is literally no end in sight for the continued escalation of women's economic power. Economists and historians predict that women will continue to gain economic power in exponential amounts in the coming decades in the U.S., Europe, and especially throughout the developing world. Many countries are now realizing that one of the quickest and most effective ways to boost their economies is to educate women and give them access to the business world.<sup>15</sup>

Yet, even as women undergo this social and economic revolution, many companies haven't changed the way they think about women. They haven't taken that next important step beyond accepting that women are *the* majority market. Many have heard and even agree with management guru Tom Peters that "women are opportunity No. 1 for the foreseeable future."<sup>16</sup> But many companies still haven't explored how the social, economic, and cultural shifts that brought about women's access to money and power are affecting how those women think about brands, business, products, and services. The reasons for this lack of exploration are

## 6 The Power of the Purse

obvious. There's only recently been agreement that women are indeed the world's most powerful consumers. While the social and economic trends have been building for decades, they are just now beginning to resonate and radiate into business as they have become entrenched in the mainstream of American society.

Delving deeper into the trends that are profoundly changing women is the next big step that many companies simply haven't been forced to take—yet. But, like McDonald's, they will. As Napier put it so simply: McDonald's had stopped being relevant to women. Why? The women the company targeted through traditional advertising pitched to children, and menu items created in the mid-1950s, had ceased to exist—if they ever had. Women had changed even as McDonald's had stood still. McDonald's continued to talk to women through traditional roles and stereotypes even as those roles and stereotypes had long since stopped making sense to a growing number of women. “The change at McDonald's is driven by seeing women through the complexity of their lives. They are playing multiple roles at the same time. So we began to realize that we needed to see women as more than moms. They wanted to be a woman first and then mom second,” says Wendy Cook, vice president McDonald's U.S. menu management. “Women simply didn't like be talked to as a stereotype. They want to be talked to as the women they are today.”<sup>17</sup>

So, who are the women of today? That's the question McDonald's and the other companies featured in this book have set out to answer. These companies have taken that next important step to dig deeper into the psyche of their most important consumers. What they are finding is an ever-shifting, ever-evolving group that defies any and all stereotypes. This is no longer the monolithic homogenous “women's market” of recent history where a single advertising campaign or a few tweaks to a car's interior make it acceptable for all women. Today's women's market is vast, varied, and in constant motion. Women require far more than one-off ad campaigns or subtle changes to product—the standard operating procedure for “marketing to women” in the past—to draw them to a brand or product. These companies have learned that female consumers require far more targeted, holistic, and long-term approaches that meet them where they are in their lives today and where they are going in the future—not where

marketers think they are based on outdated stereotypes and traditional roles. That kind of deep and broad approach requires that companies view women through a new lens that encompasses all their roles and responsibilities in society—some from the past, some from the present, and some just being formed for the future.

For companies such as McDonald's, The Home Depot, and Nike, the shift has been first to see women as majority consumers and then to rethink those women in new ways, throwing out presumptions about who they think their female customers are. "Mostly moms" was how McDonald's traditionally thought about women. It learned that such stereotypes were far from the truth. The Home Depot had to cast off assumptions about women and home renovations—for example, that they liked painting rooms and buying furniture and appliances. The Home Depot learned that women and men were working together on home renovations and that women often were taking charge of the toughest of the home improvement tasks. Nike had to slough off several stereotypes, such as thinking that women would respond like men to marketing featuring well-known sports stars, in order to finally get at a strategy that rang true with women.

For companies such as Procter & Gamble, DeBeers, and Kodak, digging below the traditional stereotypes has been a matter of combining the past with the present. Even as women have moved deeper and deeper into the workforce, women continue to hold on to traditional roles and responsibilities of the past. "It is very difficult for many women to relinquish the traditional roles. They wanted to be both a terrific breadwinner and a terrific wife," says Randi Minetor, author of *Breadwinner Wives and the Men They Marry*.<sup>18</sup> Women are still often the emotional centers of their family. They cherish family and friends while driving hard up the corporate ladder. They still worry about a clean home and fresh laundry. They still want the engagement ring even as they out-earn their potential husbands in the workplace. This tension between the old and the new, the pull of the past and the push of the present, has created opportunities for companies that have looked beyond the "corporate superwoman" and "soccer mom" stereotypes that have been popular for decades.

Kodak found a place for its digital cameras with women who enjoy being the emotional centers of their households even as they move

rapidly into spheres once considered totally male—like technology. DeBeers sought to balance the “power of the right hand to rule the world” with the “left hand that rocks the cradle” to draw a whole new group of purchasers of diamond rings: women. Even companies whose primary consumers have always been women have had to shift their thinking in the face of this struggle between the traditional and the new. P&G found that it needed to delve into just what a clean house—once a sterling example of a woman’s achievement—meant to a modern woman. Uncovering the desire for a clean home despite all the changes in women’s lives led P&G to create the Swiffer, one of the most successful new brands in its history.

Indeed, companies and industries that thought they knew women well have found themselves facing a future that is still being mapped by a new generation of women. These women continue to evolve the definition of what it means to be a woman in the 21st century. Avon, long a leader in knowing what women wanted, felt the future bearing down on it as it realized what had resonated with women for decades no longer made sense to a new generation of women. Torrid, an upstart division of teen retailer Hot Topic, set the fashion industry on its heels when it rolled out belly tees and racy undergarments for teenage girls in sizes 15 and up. Barbie, the doll that had come to define so many of the stereotypes of beauty and womanhood, has been knocked from her pedestal by a group of dolls called Bratz. The dolls were created by listening to dozens of young girls who were looking for friends to play with, not a blonde stereotype.

For all these companies, the process of digging deeper in terms of women and the social and economic revolutions that are shifting and shaping their world has done more than attract more women to these brands. These strategies have turned around sales slumps, recharged executives, emboldened newcomers, and often drawn as many male consumers to their strategies as they have the target these companies set out to hit: women.

For McDonald’s, finding out who women were meant dismantling a notion the company and the fast-food industry had held about women for decades. Since 1955, when Ray Kroc began selling burgers and fries, women consumers had fallen into two broad categories in the fast-food industry. They were either ignored in favor of focusing on men—generally considered the industry’s most frequent users and therefore its most important consumers—or they were cast in the role of moms who were simply conduits to their children.

When it came to women, the standard operating procedure for many fast-food companies was to pursue children with a steady and constant diet of marketing. This strategy worked for many years. In the early days of the fast-food industry, a trip to McDonald's was a treat, a once-a-month respite from cooking at home or to celebrate a birthday or a winning soccer game. Happy Meals, introduced in 1979, played into that treat-like atmosphere with toys that captivated children and easy finger foods like fries and Chicken McNuggets. By 2002, Happy Meals made up 20 percent of McDonald's annual sales, about \$3.5 billion, according to company reports. The success of the toy giveaway had made McDonald's one of the largest distributors of toys in the world, with tens of millions of items distributed every month. The importance of Happy Meals, however, went beyond their sales. McDonald's surveys showed that receipts that included a Happy Meal were 50 percent higher than those without, indicating that Happy Meals were being bought along with other meals, most likely meals bought by moms.<sup>19</sup>

But Happy Meals' decades-long success story masked big problems, problems exacerbated by the fact that McDonald's was paying scant attention to the women who opened their wallets to buy those Happy Meals. McDonald's marketers could quite accurately predict what toy would tempt toddlers, but they hardly knew the women who brought the toddlers into their restaurants. Yet over the two decades since Happy Meals were introduced, women and moms had changed considerably as America's social and economic fabric shifted dramatically. A trip to McDonald's was no longer a treat by the early 2000s. It was often the easiest way to feed the kids as longer work hours, soccer practices, and ballet classes began to eat up the evenings of many Americans. The drive-up window had become the way America made dinner. The shift from once-in-a-while treat to a weekly, if not daily, occurrence was a boon to fast-food sales. By 2002, McDonald's sales had surged to more than \$38 billion globally and \$18 billion in the U.S. But the shift also represented a huge problem for the company. McDonald's food—those burgers, fries, and shakes—had been created as treats, not as everyday lunch. By 2002, the food that McDonald's had built an empire on had become one of its biggest liabilities—especially for women.

By the turn of the 21st century, trends in obesity and weight-related illnesses began appearing across a broad swath of the U.S. When

McDonald's went public in the 1960s, Americans weighed 25 pounds less than they did in 2002. Men weighed an average of 191 pounds in 2002, up from 166.3 pounds in 1960. Children ages 6 to 11 had put on 10 pounds, averaging 74 pounds. Women weighed an average of 164.3 pounds in 2002, up from 140.2 in 1960.<sup>20</sup> Weight-related diseases were on the rise, including diabetes and high blood pressure. Bariatric surgeries—where stomachs are reduced to the size of an egg to help grossly obese people lose weight—had become so popular that they were shown in great detail on television morning shows.

As Americans watched their waistlines expand, the statistics that flowed out of the Surgeon General's office and the National Institutes for Health served as a wake-up call. Women, as McDonald's would realize, were the most likely to make changes in their own diets and those of their children—no matter how much their kids asked to be taken to McDonald's for a Happy Meal and the toy.

“Women are a large influencer of how we eat in this country,” said Harry Balzer, vice president of market research firm NPD Group in Chicago.<sup>21</sup> In fact, women are often the “early adopters” of nutrition and diet trends. Such influence already was playing out throughout the vast multibillion-dollar food industry. For example, the organic food industry had seen a huge increase in interest and sales as women searched for healthier and better food. The industry grew from a tiny niche in the 1980s to a \$10.8 billion industry by 2003, according to the Organic Trade Association's 2004 Manufacturer Study. “While studies show that interest in organic foods cuts across many demographic categories, it's still predominantly women who buy organic foods,” said Katherine DiMatteo, executive director of the Organic Trade Association.<sup>22</sup> Women also would be behind the sharp rise in sales at fast-casual restaurants such as sandwich maker Panera Bread, soup seller Zoup!, and a host of Mexican fast-food chains like Baja Fresh and Qdoba that pitched themselves as fresher alternatives to the traditional burger and fries.

Given McDonald's dominance in the food industry—it serves close to 50 million people globally every day—it wasn't long before women's concerns about diet and health began to hit the company's radar with increasing regularity. In a sign that McDonald's was listening, the company ordered its suppliers to stop using antibiotics and growth hormones in

many of its meat products. Those moves, however, didn't reflect a real change in the way McDonald's perceived the women customers it had neglected for years. It would take the dismal year of 2002 to force McDonald's to dig deeper to determine what drove modern women when it came to food and health—and to create products that would make sense for both women and McDonald's.

### *Finding the “Woman Inside the Mom”*

In early 2001, a new product category entered McDonald's rigorous menu development pipeline. It was a line of salads designed to take the place of the ill-conceived McSalad Shakers that had been introduced in 2000 to replace side salads it already had on its menu. The “shakers” were designed so that consumers could eat a salad out of a cup. It was the fast-food version of a salad far more than it was a concerted effort to bring healthier food and vegetables to McDonald's menu. Poor design and lack of interest from consumers doomed the product, even though by pulling it McDonald's knew it would be far behind traditional competitors such as Wendy's. Moreover, it would offer nothing to compete with new rivals such as the “fast-casual” food outlets like Panera Bread. They offered more modern takes on “fast” food, such as Asian chicken salads, low-fat chicken noodle soup, and sandwiches made with chipotle mayonnaise and gourmet cheeses.

With the new Premium Salads, McDonald's hoped it was on to a product that would expand the brand's appeal without sacrificing McDonald's core qualities. “It wasn't like our menu in the past didn't appeal to women. Fifty percent of Big Mac sales are to women,” Cook points out. “We are at our heart a burger and fries place.” But in today's world and with today's women, McDonald's had to be what it was in the past and find a way to link that to the present. “We knew that women loved many of the products on our menu,” Cook said. “But there were women who wanted a salad instead of a hamburger and that had become a reason not to go into our restaurants.” But the salads had to do more than make the statement that McDonald's was putting more healthy products on the menu. They had to be salads that made sense for McDonald's to sell. With

McSalad Shakers, the innovation was the delivery device. Shaking up a salad in a cup with dressing made it very fast. But the salad wasn't very good, especially because the dressing was not distributed throughout the salad. The salads had to be much more than just fast food. The innovation needed to come from some other place.

In 2002, when the new salads made their way through the company's intense two-year development process, they came to the attention of Napier and her marketing team as McDonald's moved responsibility for menu changes from operations to marketing: a significant move that put menu changes in the hands of consumers instead of executives. "The change meant that the people coming up with the new items were talking to consumers from the very beginning of product development," Cook says. In the past, menu changes were often conceived inside and then vetted through traditional focus groups and then handed off to marketing to sell. For Napier, having input into what went into the salads—not just the marketing of them after they were created—was the key. She needed more than another feel-good ad campaign or a product targeted at women through their children—the old way of reaching women at McDonald's. "It's easy to get caught up in the heritage of being all about children," Napier says. "It's an honorable heritage with Ronald McDonald. But what we needed was a consistent focus on women, not just moms." The salads were exactly the kind of product Napier needed to make McDonald's relevant to women—whether they were moms or not. "When I was given the salads as a project, I felt they would resonate with women," she says. "Mostly what I had seen before from McDonald's was all about family and moms."

The shift from a "mom-centered" focus on women to women as primary consumers was a major step for McDonald's. It was driven by a major change in the way the company conducted its focus groups. Traditionally, the company had used mixed-gender focus groups to bounce ideas off consumers and get their feedback on new menu items. Those focus groups were meant to mirror who McDonald's thought its consumers were: a broad cut of the entire lower- to middle-class population of the U.S. But to test the salads, men were asked to stay home while women in the focus groups lunched inside a semi-truck trailer outfitted to

look exactly like a McDonald's restaurant. As the women ate the salads and offered suggestions to marketing and menu executives, chefs redesigned the salads according to the women's feedback.

The women-only focus groups proved eye-opening for the executives who were still debating internally about how to make McDonald's relevant to today's women. Some were still certain that it was moms and children they should be speaking to, especially because Happy Meal sales were still sinking. "Is it women? Is it moms?" said Carol Koepke, senior marketing director—family brand, of the questioning that went on in 2002.<sup>23</sup> With the issues of childhood obesity and the concerns moms had about their children's eating habits, it would have been easy to focus on adding new items to Happy Meals. But that's not what Napier's team heard from their women-only focus groups. "What women told us was that all moms are women, but not all women are moms, so why weren't we trying to reach all women?" she says. "We realized we should be finding the woman inside the mom."

So began the mantra that has come to define McDonald's strategy toward women: finding the "woman inside the mom." Everything that McDonald's did for the women's market over the next two years—and what continues to drive its strategy going forward—flows from that mantra.

First up for redesign was the Premium Salads line, which was already well along in the development cycle. But for everyone working on the salads, from menu management executives such as Cook to Napier in marketing, there was an intense desire to make certain that the salads did more than fill a competitive niche. They had to be more than just another salad a woman could buy from a competitor. "We had to run our game instead of somebody else's, which is what we had been doing," Koepke said, referring to McDonald's strategy under Greenberg of following after competitors' strategies instead of creating its own. The company had gotten into a bruising battle of "value" menus that pitted its \$1 burgers against \$1 burgers from its competitors. When Cantalupo came back to the company, he overhauled the company's entire strategy. Instead of high-growth targets set by Greenberg and his predecessors that could be attained only by opening thousands of new locations every year, Cantalupo focused attention on same-store sales. Future growth, he said, had to be about having customers come back again and again to their local McDonald's instead of simply opening another location.<sup>24</sup> In his "Plan to Win" strategy, introduced in

mid-2003, Cantalupo outlined five strategies that he believed would put McDonald's back on the right track. They were people, products, place, price, and promotions.<sup>25</sup>

Therefore, the salads, one of the first new products introduced under Cantalupo's new strategy, had to chin the bar in a way that few new products ever had to. They had to be the kind of salads that women would want to keep coming back for week after week. For Cook that meant going far further than making certain the ingredients were nutritious. They had to be a treat. "In focus groups, women would tell us that iceberg lettuce just wouldn't do," she says. "Many of them wished they could buy the specialty lettuce from the expensive grocery stores, but they couldn't afford it. So we came up with a mix of 16 different types of lettuce. We put crumbled blue cheese on it, and instead of making our own salad dressing, we decided to offer Paul Newman's dressings." Cook adds that she would never have gotten to that kind of feedback in the traditional "mass developments" that McDonald's had used to create new menu items. "We would have created a list of favorite salad ingredients in America and then thrown them all together in a salad," Cook says. But as the women opened up in the focus groups, they shared little details that made all the difference. "The details help differentiate you, and they send you off in a place where women are going to think, 'Oh, they thought of me; they knew I'd appreciate that.'" She says the women wouldn't have opened up with all those details if they had been in a mixed group with men. Today, McDonald's conducts 50 percent of its focus groups as women-only groups. After women have given their input, however, many of the items are tested with men and mixed groups.

By March 2003, the salads with their radicchio, Boston, and Bibb lettuce, enhanced with ripe grape tomatoes and a choice of several Newman's Own salad dressings, were ready for their debut. Now Napier and her team, including Koepke, had to turn "the woman inside the mom" mantra into an advertising campaign that would resonate with women in ways that even the best McDonald's ads had never done. "Like so many marketers, we marketed to a media target based on the media we were buying," Koepke says. "We'd buy a television spot that was supposed to hit with adults 18 to 49." But that old approach wouldn't cut it with a target that was so disparate, divided, and different as the women of today.

The media-buying team decided to broaden its spending beyond national television—where McDonald's had traditionally spent most of its money.

The team chose to buy heavily in women's magazines, a medium that McDonald's had rarely used. But magazines, far more than television, were key to reaching women. "For many women, those magazines are their treat at the end of the day," Napier says, noting that she often settles down with a stack of magazines in the evening. "It's better than a sleeping pill to relax you." The magazines also were an elegant way of targeting women in the many roles they live through each day while letting McDonald's focus on a specific salad that would appeal to readers of a particular magazine. In an ad placed in *Shape*, a magazine targeted at health-conscious women more likely to be single career women, the salad that got the biggest play was the Caesar with the lowest-calorie dressing option. In *Parenting*, Koepke focused on the experience women have when they come to McDonald's with their children, but with the added benefit of having food that they would actually want to eat. That ad featured the crumbled blue cheese treat salad and ranch dressing. "Moms already had an emotional connection to McDonald's. They remember it fondly from their childhood. But what we lacked was the relevant product that would talk to today's mom," she says. With the salads, the relevance issue Napier had honed in on just six months before was well on its way to being solved. Instead of continuing to talk to women as moms—irrelevant in a world where women were so much more than that—McDonald's had found both a product and a marketing message that would draw women—moms or not—into their restaurants.

### *"Don't Launch and Leave"*

Many companies would have stopped there. The Premium Salads were a success from the first day they hit the restaurants. By 2004, the company was selling more salads than any other restaurant in the country. Overall sales at McDonald's had started to turn a corner by the middle of 2003, and by May that year same-store sales had started to edge up for the first time in two years.<sup>26</sup> But for Napier, Koepke, and Cook, there was a lot of work

left to do to make McDonald's truly resonate with women. "We knew from talking to women that once you connect with them, you simply can't walk away," Koepke says. "You simply don't get a second chance with women. We started out with the salads and the focus groups, and those first steps were like baby steps. Now this is the way we do business."

Next on the list of things to do? Overhaul the way women—and the world, for that matter—viewed McDonald's as a purveyor of wholesome, nutritious food. The salads certainly helped. But a menu change wasn't enough to overcome increasing concern and criticism that McDonald's and the majority of the food it sold—the Big Macs, Supersize fries, and 40-ounce sodas—were helping drive the obesity epidemic in America. In 2002, two girls filed suit against McDonald's, claiming that eating at the restaurants had led to their obesity-related health problems. The documentary *Super-Size Me* took direct aim at McDonald's. The filmmaker, Morgan Spurlock, chronicled his experiment with what would happen if he ate every meal for a month at McDonald's and followed the sedentary lifestyle of most Americans. The results were not unexpected, save for some damage to his liver that even his doctors didn't see coming. He gained 20 pounds. He often found that he was tired and cranky before eating and then euphoric afterward. His blood pressure and cholesterol increased. Spurlock dramatized the changes in his body and health in a way that made eating at McDonald's seem like a quick route to the hospital.<sup>27</sup>

Despite the mounting criticism, McDonald's executives weren't going to stop selling the food that had made the company very famous and very rich. There was simply no use in denying that McDonald's was what it was: a burger and fries joint. But could the company change the way people thought about McDonald's food in relationship to their overall diet? Napier's team began asking itself. Could they give consumers tips and advice on how to control their weight and make better choices when they did eat out? Could they do a better job of offering nutritional information so people could at the very least make an informed choice about what they were feeding themselves and their children? Again, the company found itself turning to women as a way to hone in on what McDonald's had to do to make itself relevant in a world where the burger had become a bad thing.

As the salads began to take off, talk inside the marketing group turned to how to create a promotion that would drive more women into the stores to try them. The magazine ads were working well, and good word of mouth was helping drive sales beyond the company's expectations. But a special promotion seemed like the next logical step to get the word out to women who would otherwise rarely consider eating at McDonald's. That was an important next step for the company if its strategy toward women would be a success. On May 5, 2003, Kim Todd, a vice president with Golin Harris, the public relations agency for McDonald's, called a meeting with Michael Donahue, the company's vice president of communications, and a fitness guru named Bob Greene.<sup>28</sup> Greene had made a name for himself as Oprah Winfrey's personal trainer. His books on losing weight and exercising were bestsellers. The pairing of Greene, who espouses not eating after 7:30 p.m. and having dieters sign a weight-loss covenant with themselves, with McDonald's seemed like an odd choice. Why would a fitness expert with such a solid reputation and the incredible imprimatur of Winfrey become a spokesperson for McDonald's—apart from an endorsement fee? Todd said there was something in Greene's message that made him the perfect choice for McDonald's. "His philosophy, I felt, was very much in line with what McDonald's needed to try." He was very much about moderation, and his new book, *Total Body Makeover*, was more about exercising and eating well than it was about dieting. Donahue liked Greene so well that he pulled Lamar into the meeting to introduce him to Greene. Thirty minutes later the endorsement deal was signed. Now came the tough part: creating a promotion that would resonate with the broad swath of women—moms, single women, teenagers, retirees—that McDonald's needed to reach.

Again Napier searched for a way to build rapport with women that was novel for McDonald's but a tried-and-true strategy for marketers who'd been focusing on women for years. She wanted to offer women a free gift that would help drive them to purchase meals at McDonald's in the same way that cosmetics companies used free gifts to drive the purchase of perfume and lipstick. Ironically, the "free gift" idea was what had helped drive Happy Meal sales for so long. But for McDonald's, the idea of creating a promotion around women was a wholly new approach driven by the marketing team's mantra of "finding the woman inside the mom." The final

product was the “Go Active!” Happy Meal, the first boxed meal designed for adults, which featured a salad, bottled water, and a free gift of a pedometer.

On September 16, 2003, the meal went into an Indianapolis test market. By the end of the month-long test, salad sales in the Indianapolis area had shot up substantially versus the month prior, even as sales of Premium Salads around the nation dipped slightly. The company went national with the Go Active! promotion, handing out thousands of pedometers in the space of a few months. The pedometers came with a booklet written by Greene outlining a few basic steps to take toward a healthier, balanced lifestyle. The Happy Meal, designed primarily with women in mind, ended up changing perceptions of McDonald’s food—even though the company had made only small changes in its overall menu. But by promoting balanced eating along with adding an exercise almost anyone can do—walking—McDonald’s found relevance with women—and a growing number of men—without changing its core identity: fast-food joint. For the majority of McDonald’s consumers, the advice and the pedometer offered them access to information that may not have been readily available to them. “We feed 47 million people a day around the world,” says Dr. Cathy Kapica, global nutrition director for McDonald’s.<sup>29</sup> Her position was created in 2003 as a way to coordinate McDonald’s efforts at making the creator of the Big Mac relevant in a world where nutrition had shifted profoundly from the 1950s. “For a public health scientist like myself there is no better place to be. We reach a lot of consumers who would never get this kind of information if we didn’t provide it. We need to be on top of this trend if not ahead of it.”

While the Go Active! meal was the first attempt to change consumers’ behaviors about how and what they ate at McDonald’s, it wouldn’t be the last, as the company continued to overhaul its image based on its insights into women. Kapica has led much of the reform, especially in providing nutrition information, another “product” designed to appeal to women. “The world has changed,” Kapica says. “When McDonald’s started, nutrition wasn’t an issue. It was offering a clean place to eat with safe food made of high-quality ingredients.” While none of those demands have gone away, nutrition has crept up the scale of importance, she says. “Today we are busier, but more sedentary. Food is far more widely available. There’s also a lot of confusion over what is the best way to eat. One day it’s low

carbs. The next it's low fat," she says. Add to that the fact that the science of nutrition has changed, she says, and that means McDonald's has to be far more proactive in the nutritional information it provides. Several McDonald's executives, including Kapica, point out that the company has made its nutritional information available for 30 years. But until very recently, the information was difficult to find for even the most nutrition-minded consumer. There was a toll-free number to call for information, and restaurants were supposed to have a chart of nutrition information for the menu hanging on the wall where consumers could see it.

Kapica next decided to focus most of her attention on the easiest way to get nutrition information to people who care, notably women. Tray liners with calorie counts were added, and brochures were printed with nutritional information instead of McDonald's relying on franchisees to display its nutrition charts properly.

But Kapica determined that the best place to put the statistics was online. Women now make up more than 60 percent of Internet users. They also increasingly use the Internet as a place to "manage their lives and the lives of their families," says Kelly Mooney, president and chief experience officer of Resource Interactive. This interactive agency based in Columbus, Ohio, creates Web sites for companies such as Reebok, Hewlett-Packard, and Victoria's Secret.<sup>30</sup> What better place to put nutritional information than the Internet? Kapica concluded. There women can determine ahead of time how many calories are in a typical Big Mac and fries lunch and how to fit a trip to McDonald's into a balanced eating plan. In 2002, McDonald's had already created a section on its Web site called "Bag a McMeal," which allowed users to determine the calorie counts for all its products. Kapica and other executives wanted to go a step further. She wanted even more customization so that consumers concerned about calories, fat, and sodium—many of them women, she believed—could determine ahead of time exactly what they could do to bring down calorie counts. The new Bag a McMeal feature lets a consumer fully customize and compare meals to see what happens if they leave off the mayo (a savings of 100 calories) or pick a small serving of fries over the large (a 300-calorie difference) without giving up McDonald's altogether. In late 2004 and early 2005, McDonald's tested several more nutrition ideas, including offering consumers a tally of calories with their sales receipt.

By mid-2003, McDonald's executives were finally ready to turn their attention to the Happy Meal, the product that had helped tip off the company to the fact that it needed to catch up with women. The Happy Meal hadn't been seriously overhauled since it was launched in 1979. While the focus had been specifically on women for most of 2003, marketing and menu executives knew they needed to take another look at Happy Meals if they were going to remain relevant with women.

But instead of dramatically overhauling Happy Meals, McDonald's chose to add just a few new menu items that would appeal both to moms and children. The insight for the targeted changes to Happy Meals came from listening to women. This time the focus was flipped on McDonald's new mantra from the "woman inside the mom" to the "mom inside the woman." The company already had seen Happy Meal sales increase when salads were added to the menu throughout the company's more than 13,000 U.S. restaurants, Napier says. This highlighted again how important it had been to focus on what moms wanted to eat, not simply on the Happy Meal, which would have been McDonald's traditional approach.

So, did that mean the food inside the Happy Meal wasn't a big issue for moms, given how quickly sales had picked up after salads were introduced? McDonald's let women explain it to them. "When we talked to moms, we didn't get a sense that they were overly concerned about the food inside of a Happy Meal," Napier says. "It was still a treat for children, not something they would be eating every day." Still, there was an underlying feeling among the executives that if they could offer just a few new choices, they would strike the right balance of nutrition and fun that was needed for both moms and children. "You don't want to do something so new that it makes everybody unhappy," says Cook, head of U.S. menu management. McDonald's had already made that mistake during a test of Build Your Own Happy Meal in the mid-1990s. The items offered included apples and bags of carrots. While the choices were certainly healthy, the product never went national. There were too many choices, making it difficult for moms to get their children to settle on the perfect combination. Moreover, products like whole apples didn't make a lot of sense for children, who couldn't eat the whole thing and then had no place to put the core. The key to the Happy Meal's success—beyond the toy—was that it was a quick and fun way for moms to feed their children, devoid of arguments over vegetables

and fruit, and it was easy to clean up. So throughout 2003, the company worked on the Happy Meal menu to appeal to mothers without turning off the children. By the summer of 2004, the company was ready to roll with a small set of new products designed to make moms and children happy. Chocolate milk and regular milk in resealable jugs and apple juice were offered as alternatives to sodas. Presliced apples with low-fat caramel dipping sauce provided an alternative to fries. In six months, McDonald's milk sales had doubled, and Apple Dippers were being ordered in an increasing number of Happy Meals.

### *Going Forward*

Two years after stumbling through the worst financial quarter in its history, McDonald's had successfully reversed the decline despite massive tumult in its executive suite that could have easily derailed the company's efforts to shift its focus toward women consumers. Cantalupo, who put in place several of the far-reaching changes that made the women-centric focus a core strategy, died from a heart attack 16 months after taking over as head of McDonald's. He was replaced by Charlie Bell, who was forced to retire in late 2004 after being diagnosed with colorectal cancer. He died unexpectedly in 2005. Despite those executive shifts, the top leadership at McDonald's stuck with the ideas espoused by people throughout the company, including Napier, Cook, Koepke, and Kapica. The payoff for paying attention to women? From May 2003 to May 2004, same-store sales were up for 13 straight months.<sup>31</sup> In one year, McDonald's share price doubled from \$12 to \$25. By 2005, the company was selling more apples than any other restaurant as Apple Dippers caught on.<sup>32</sup> Since they were launched, McDonald's has sold 300 million salads. People buying salads had total bills of \$8 or more, double that of people who opted for a cheeseburger and fries. Surprisingly, men made up 40 percent of the salad purchasers—an added benefit McDonald's hadn't even hoped for when the salad line was launched in 2003. "The targeting of women hasn't stopped men from buying our products," Napier says. "Instead, we sell more products in the end because we did focus on women." Company executives credit the radical rethink about women for helping with the quick turnaround in McDonald's fortunes. "We wouldn't be where we are if it hadn't been for a direct focus on women," Koepke says.

But McDonald's isn't sitting still after learning its lesson the hard way in 2002 of remaining relevant with women. It's taking its women-centric focus around the world. In Japan, one of the company's biggest markets, it has revamped its menu to appeal to young women, a demographic it has rarely served in the past. But with its core consumer group—families with children—dwindling in Japan, McDonald's has had to begin offering food options that appeal beyond burgers and fries. In mid-2003, the company's Japanese unit introduced higher-priced offerings with more gourmet touches, such a ratatouille sauce for hamburgers and a fried green spring roll with red bean sweetener, for single Japanese women.<sup>33</sup> Napier was reassigned to Europe after her success in the U.S. to help bring new ideas to the company's struggling operations across the continent. "Again it was a matter of offering choices to women, giving them a reason to come back in the door," Napier says, adding that in Europe, McDonald's was adding more salads, yogurts, chicken sandwiches, and fruit.

The company also didn't stop thinking about how to keep changing with women consumers in the U.S. In 2005, the focus moved to the restaurants themselves. The company's new leadership team, headed by chief executive officer Jim Skinner, who replaced Bell, remained committed to Cantalupo's strategy of increasing same-store sales instead of growing by opening new stores. To bring people back to the stores week after week, McDonald's turned again to its mantra of "finding the woman inside the mom" for guidance. In mid-2005, the company pushed forward with plans to revamp thousands of restaurants and hundreds of PlayPlaces to make them more comfortable for moms and women. "We heard from women that they would really like a place that was geared toward them, not just their children," Koepke says. When they were designed, PlayPlaces didn't take moms into account. They were designed to fit the needs of children. Parents were forced to sit outside the space on hard plastic chairs while trying to watch over their children in the play area. In the renovated PlayPlaces, McDonald's moved in couches and comfortable chairs and installed wireless Internet access—much more like the "fast-casual" environments of Panera Bread or the look and feel popularized by Starbucks. Koepke says, "We realize that our sterile environments just aren't what women are looking for anymore."

### *Key Observations*

- ◆ Use women-only focus groups for new products and marketing strategies—even if products will be marketed to all consumers. McDonald's used this strategy to create new salads and revamp nutritional information on its company Web site.
- ◆ Shift media buying from “monolithic” 18-to-49-year-old adults to targeted media buys focusing on specific roles women play in society.
- ◆ Overhaul organization to coordinate menu creation and management with marketing strategy.
- ◆ Make constant adjustments in tactics used for women consumers to create relevant messages for a quickly changing consumer. McDonald's used this strategy to overhaul the interior of its restaurants in 2005.

McDonald's turned around its sales and overhauled its menu for a new century by readjusting its view of women from a minority market to a majority consumer. It rethought a woman's traditional role as mother and revamped it for today's consumers. In the next chapter, we'll address how The Home Depot shifted its focus on women by radically rethinking women's roles inside the home—and in home renovation.

